



8011-01p
SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-74343; File No. SR-BX-2015-011]

Self-Regulatory Organizations; NASDAQ OMX BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Fee Schedule under Exchange Rule 7018(a) with Respect to Transactions in Securities Priced at \$1 or More per Share

February 20, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on February 9, 2015, NASDAQ OMX BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule under Exchange Rule 7018(a) with respect to transactions in securities priced at \$1 or more per share.

The text of the proposed rule change is also available on the Exchange’s website at <http://nasdaqomxbx.cchwallstreet.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to amend BX Rule 7018(a) to provide an additional means by which a member firm may qualify for Tier 1 of the Qualified Market Maker ("QMM") program. The QMM program provides incentives to Exchange members to improve the market by quoting at certain levels for a minimum time. A QMM is a member firm that makes a significant contribution to market quality by providing liquidity at the national best bid and offer ("NBBO") in a large number of stocks for a significant portion of the day. The designation reflects the QMM's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. In return, qualifying members receive a reduced charge for displayed liquidity provided. There are two QMM tiers under Rule 7018(a), which provide different levels of reduced charges for providing displayed liquidity based on the contribution the QMM makes to market quality.³

Currently, to qualify for Tier 1 of the QMM program, a member firm must have (i) shares of liquidity provided and (ii) total shares of liquidity accessed and provided in all securities through one or more of its NASDAQ OMX BX Equities System MPIDs that represent more than

³ Tier 1 has more stringent qualification requirements than Tier 2. Consequently, QMMs qualifying for Tier 1 are assessed a charge of \$0.0014 per share executed whereas those qualifying for Tier 2 are assessed a charge of \$0.0017 per share executed for providing displayed liquidity.

0.40% and 0.50%, respectively, of Consolidated Volume.⁴ For a member qualifying under this method, the member must have at least one Qualified MPID that is an MPID through which, for at least 150 securities, the QMM quotes at the NBBO an average of at least 25% of the time during regular market hours (9:30 a.m. through 4:00 p.m.) during the month. Alternatively, a member firm may qualify for Tier 1 if it has (i) shares of liquidity provided and (ii) total shares of liquidity accessed and provided in all securities through one or more of its NASDAQ OMX BX Equities System MPIDs that represent more than 0.30% and 0.45%, respectively, of Consolidated Volume during the month. For a member qualifying under this method, the member must have at least one Qualified MPID that is an MPID through which, for at least 400 securities, the Qualified Market Maker quotes at the NBBO an average of at least 25% of the time during regular market hours (9:30 a.m. through 4:00 p.m.) during the month. To qualify under Tier 2 of the QMM program, a member firm must have at least one Qualified MPID, that is, an MPID through which, for at least 300 securities, the QMM quotes at the NBBO an average of at least 75% of the time during the regular market hours (9:30 a.m. through 4:00 p.m.) during the month. BX is proposing to add a new alternative means to qualifying for Tier 1 of the QMM program.

Under the new Tier 1 qualification standard, a member firm must have (i) shares of liquidity provided and (ii) total shares of liquidity accessed and provided in all securities through one or more of its NASDAQ OMX BX Equities System MPIDs that represent more than 0.20%

⁴ Consolidated Volume is defined as the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity, expressed as a percentage of or ratio to Consolidated Volume, the date of the annual reconstitution of the Russell Investments Indexes shall be excluded from both total Consolidated Volume and the member's trading activity. See Rule 7018(a).

and 0.30%, respectively, of Consolidated Volume during the month. For a member qualifying under this method, the member must have at least one Qualified MPID, that is, an MPID through which, for at least 200 securities, the QMM quotes at the NBBO an average of at least 50% of the time during regular market hours (9:30 a.m. through 4:00 p.m.) during the month. The member must also provide an average daily volume of 1.5 million shares or more using orders with midpoint pegging during the month. The Exchange notes that the percentages of total shares of liquidity accessed and provided in all securities through its MPIDs is lower than both of the other two Tier 1 standards, and is higher than the related Tier 2 standard, which has no such requirement. In addition, the number of securities that the QMM must quote at the NBBO is lower than one of the Tier 1 standards and the Tier 2 standard, although it is higher than the other Tier 1 standard. Lastly, the amount of time that a member firm must quote at the NBBO in those securities is higher in the proposed new Tier 1 standard, but lower than Tier 2 standard. Unlike all of the current Tier 1 and Tier 2 standards, the new proposed Tier 1 standard requires a member firm to also provide an average daily volume of 1.5 million shares or more using orders with midpoint pegging during the month. The Exchange notes that although displayed orders are generally preferred to non-displayed orders because they assist in price discovery, the use of midpoint orders should also be encouraged through pricing incentives because they provide price improvement. Accordingly, adding an additional requirement that provides an incentive to provide midpoint pegging orders is consistent with the QMM program's goal of improving the market on BX.⁵

The Exchange is implementing the proposed change on February 9, 2015. The calculations of the rule, however, are based on a full month's trading. As such, for the

⁵ The Exchange notes that it provides reduced fees for providing midpoint liquidity through Midpoint Peg orders. See Rule 7018(a).

abbreviated first month that the new rule is effective, the Exchange is basing the calculations of the criteria of the new standard on the trading that occurs during the effective date through the end of the month. Otherwise, all member firms would be penalized by the shorter timeframe in which to meet the standard.

2. Statutory Basis

BX believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁶ in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,⁷ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls, and is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed change is reasonable because it provides a further incentive to BX member firms to enhance the quality of the market by providing meaningful improvement, to the benefit of all market participants. The Exchange also believes that the proposed criteria of the new qualification standard are both reasonable and an equitable allocation because they are comparable to the other two means of qualifying for Tier 1.

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(4) and (5).

Although some requirements are lower than those of the current standards, the Exchange has added an additional mid-point pegging requirement, which the Exchange believes makes the new standard as stringent as the existing standards, and more so than the Tier 2 standard. As a consequence, all member firms that qualify under the new standard will receive the benefits of the Tier and those that do qualify under the new standard have provided comparable market improvement as other member firms that qualify under the other standards of Tier 1. The Exchange also believes that it is reasonable and an equitable allocation of the fee to consider only Consolidated Volume that accrued during the time that the new Tier 1 standard is effective for the month of February 2015. As noted, the Exchange is implementing the new standard on February 9, 2015. Various criteria under the new standard compare the trading that the member firm does during the month against monthly totals of Consolidated Volume for the full month. Solely for the purpose of calculating eligibility for the abbreviated month of February 2015, the Exchange is only considering the member's activity and Consolidated Volume for the time that the rule is effective on February 9th through the end of the month. The exchange believes that by doing so, all member firms will have the opportunity to qualify under the new standard without penalty for the abbreviated time to reach the levels of trading required by the rule.

Lastly, the Exchange believes that the proposed change further perfects the mechanism of a free and open market by increasing the means by which a member firm may qualify for this beneficial, market improving program. The new standard is based on an alternative mix of market-improving order activity. Accordingly, to the extent that the new standard increases the number of member firms that qualify under the tier, market quality will increase.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.⁸ BX notes that it operates in a highly competitive market in which market participants can readily favor over 40 different competing exchanges and alternative trading systems if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, BX must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, BX believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the addition of the new Tier 1 QMM standard provides an additional means for member firms to improve the market to gain the benefit of the reduced charge for adding displayed liquidity. Member firms are not compelled to participate in the program if they deem the requirements too burdensome to justify the reduced charge. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of member firms or competing order execution venues to maintain their competitive standing in the financial markets.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

⁸ 15 U.S.C. 78f(b)(8).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and paragraph (f) of Rule 19b-4¹⁰ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BX-2015-011 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BX-2015-011. This file number should be included on the subject line if e-mail is used.

To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f).

website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BX-2015-011, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Jill M. Peterson
Assistant Secretary

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¹¹ 17 CFR 200.30-3(a)(12).